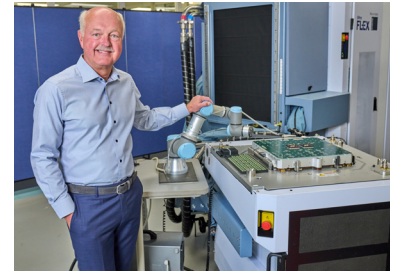


# TERADYNE



**Mark E. Jagiela**  
Chief Executive Officer and President  
Teradyne, Inc.

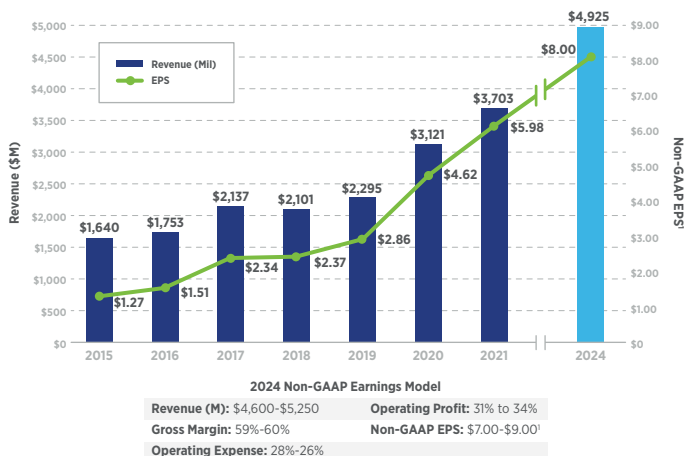
Fellow Shareholders,

2021 was another exceptional year for Teradyne with sales growing 19% and non-GAAP earnings per share up 29%<sup>1</sup>. Our strategic positions in both our test businesses and in collaborative industrial automation continue to deliver strong financial returns with 2021 capping a 5 year stretch where sales and non-GAAP earnings grew at compounded rates of 16% and 32%<sup>1</sup>, respectively.

We are well positioned in two very attractive, growing and impactful markets: Semiconductors and Industrial Automation. Inherent in our strategy is a long-term perspective on the markets we serve, the growth opportunities we pursue, the R&D investments we make, and our financial operating model. More on that later, but first, a closer look at 2021.

- Our sales of \$3.7B and \$5.98 in non-GAAP earnings per share<sup>1</sup> were both all-time records.
- Test equipment sales grew 17% from 2020 with our Semiconductor Test, System Test, and Wireless Test businesses each notching double digit growth from last year's record level.
- Industrial Automation sales grew 34% from 2020 with our Universal Robots and Mobile Industrial Robots product lines growing 41% and 42%, respectively.
- For the second year running, we navigated through pandemic related supply, operations, logistics and staffing issues to meet the needs of our customers.
- We kept our R&D programs on track while starting new programs and accelerating others despite the pandemic.
- We've successfully retained, and rapidly expanded, our talented team of employees that enables our continued success.

## Historical Revenue & Earnings Per Share<sup>1</sup> Growth and 2024 Model Target



The global shortage of chips and the expanding use of semiconductors across all parts of the economy are driving unprecedented investments in all forms of semiconductor manufacturing equipment. That investment jumped nearly 40% to \$85 billion in 2021 and is expected to grow to over \$100 billion in 2022. These investments are directed at increasing the production of existing chip designs and enabling new, more complex designs at advanced technology nodes. This combination provides a long-term lift to Teradyne's Semiconductor Test market as growing unit volumes and increased complexity drive demand for our equipment.

In 2021, our Semiconductor Test business grew across all product lines. Our UltraFLEX family serves the test intensive smart phone market and continues its expansion into the compute sector of the System-On-a-Chip (SOC) market, a growing market where we expect to gain share as new chip architectures are well aligned to our products. Our Eagle Test testers serving the Automotive and Analog/Industrial sectors grew sales nearly 90%. In Memory Test, sales grew 3% in a flat market as our Magnum family continued to shine in NAND test and solidified its position in the DRAM segment of the industry.

LitePoint's Wireless Test business had a great year, growing 25% from 2020. The global demand for tracking and connecting just about everything: machines, materials, and people is nearly insatiable. LitePoint is well aligned to this trend with products that simplify testing of the expanding range of wireless standards. Whether in networking with WiFi 6E and 7, in location tracking with Ultra-Wide-Band, in cellular with 5G, or numerous other standards, the rate of technology change continues unabated which is a strong tailwind for our business.

Our System Test segment sales grew 14% in 2021 from 2020's record level as demand for Production Board Test, Storage Test, and Defense & Aerospace Test all expanded. The growth in electronic devices and their increased complexity fueled the growth.

Our Industrial Automation business came roaring back in 2021 as the manufacturing world began to emerge from pandemic related shutdowns. In our collaborative robot product line, Universal Robots sales were up 41% as we continued to expand the range of applications we serve in existing markets and broadened our reach into new markets, often with OEM partners. One exceptional

## Non-GAAP Operating Results<sup>1</sup>

	GAAP Revenue (\$M)	Operating Income (\$M)	Operating Margin	Net Income (\$M)	Earnings per Share	Diluted Share Count	# of Employees
2021	3,703	1,232	33%	1,050	\$5.98	176	5,900
2020	3,121	947	30%	801	\$4.62	175	5,500
2019	2,295	582	25%	494	\$2.86	175	5,400

example is our expansion into “cobotic” welding applications where we finished the year with sales more than triple the 2020 level, nearly \$20 million. At Mobile Industrial Robots, MiR, full year sales grew 42% from 2020 on the strength of our new, higher payload MiR 250, 600 and 1,350kg products.

These strong financial returns in 2021 supported our capital allocation plan with \$666 million returned to shareholders through share repurchases and quarterly dividends. Additionally, our strong outlook supports a 10% dividend increase and a planned \$750 million share repurchase program in 2022. Notably, since our program began in 2015, we have repurchased 67 million shares at an average price of \$39.61 per share.

Those that follow us closely know that we manage Teradyne with the long term in mind. The quarter-to-quarter and year-to-year swings in our markets do not deter us from investing for long term success. We know our markets can have double-digit short-term swings, both up and down, but we are convinced the long-term trends are for sustained growth. That has been true of our past and we believe it will be true in our future. When looking at technology, markets and customer buying patterns, we look at multi-year trend-lines to aid our planning. Our R&D programs and customer support investments in both test and Industrial Automation are built on this multi-year view.

In January 2021, we set a 2024 earnings model target of \$5.25 to \$6.75 in non-GAAP earnings per share<sup>1</sup> and we achieved that target in 2021. In January 2022, we updated that model with a new target of \$7.00-\$9.00 per share in non-GAAP earnings per share<sup>1</sup> in 2024, a 33% increase at the midpoint of the ranges. In test, this updated model assumes nearly 10% annual trend line growth through 2024 which reflects the increased investment our customers are making in wafer fabrication equipment and our belief that this will drive a healthy test equipment market for the foreseeable future. In Industrial Automation, we expect to grow nearly 40% per year through 2024 powered by our strong product position and global

shortages of labor, increasing labor costs, re-shoring of supply chains and worker safety concerns.

In the ESG (Environmental/Social/Governance) and DEI (Diversity/Equity/Inclusion) arenas, we continue to target areas with the highest potential impact and focus our improvement work accordingly. Our 2021 ESG accomplishments included a plan for net zero emissions from our North American operations by 2025, membership in the Responsible Business Alliance (RBA) to assist in managing our supply chain’s ESG performance and changes to our shareholder voting rules to align with industry best practices. In DEI, we accelerated our improvement efforts with the hiring of a DEI program manager, deployed diversity awareness training, expanded our efforts to hire candidates from diverse backgrounds and experiences, and increased our financial support of community and university activities to increase the diversity of STEM (Science/Technology/Engineering/Math) graduates.

As we look ahead in 2022, the long-term outlook for our test and IA markets remains bright. In 2022, however, we expect some softness in semiconductor test demand from the mobility portion of our market as the industry prepares to move to the next technology node in 2023. Pauses like this are part of the normal ebb and flow of investments by our customers and our strategy remains unchanged. We maintain our laser focus on creating differentiated test and automation products that provide long term value to our customers while providing challenging and rewarding careers for our employees and value creation for our shareholders.

On behalf of our 5,900 employees around the world, thank you for your confidence in Teradyne.



Mark E. Jagiela  
Chief Executive Officer and President  
Teradyne, Inc.  
March 2022

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600 Riverpark Drive, North Reading, MA 01864  
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<sup>1</sup> Non-GAAP financial measures. Please see the “Shareholder Letter Supplement” posted to our Investor Relations website – investors.teradyne.com – for explanations of why we use these Non-GAAP measures and the reconciliation to the most comparable GAAP financial measures.